

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**HB 3116 - SB 2977**

March 22, 2012

**CORRECTED SUMMARY OF BILL:** Exempts from state and local sales tax all services related to the bathing of animals.

**ESTIMATED FISCAL IMPACT:**

On February 16, 2012, a fiscal note was issued estimating a fiscal impact as follows:

*Decrease State Revenue – Net Impact - \$362,300*

*Decrease Local Revenue - \$153,100*

Due to a misinterpretation of the bill, this impact was in error. Based on additional analysis, the estimated impact is:

**(CORRECTED)**

**Decrease State Revenue – Net Impact - \$481,700**

**Decrease Local Revenue - \$203,500**

Corrected assumptions:

- According to the Department of Revenue, total taxable sales of bathing services for animals were \$7,213,050 in 2010. This number is assumed to remain constant in subsequent years under current law.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The recurring decrease in state sales tax revenue is estimated to be \$504,914 ( $\$7,213,050 \times 7.0\%$ ); the recurring decrease in local option sales tax revenue is estimated to be \$180,326 ( $\$7,213,050 \times 2.5\%$ ).
- Pursuant to Tenn. Code. Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of state sales tax revenue as state-shared sales tax revenue.
- The recurring increase in local revenue from the state-shared allocation is estimated to be \$23,188 ( $\$504,914 \times 4.5925\%$ ).

**HB 3116 – SB 2977 (CORRECTED)**

- The net recurring decrease in state revenue is estimated to be \$481,726 (\$504,914 - \$23,188).
- The total recurring decrease in local revenue is estimated to be \$203,514 (\$180,326 + \$23,188).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/rnc